



Tax Espresso – Special Alert

HASiL issued Tax Audit Framework on Income Tax and Employer

Introduction

The Inland Revenue Board of Malaysia (HASiL) has issued a [Tax Audit Framework on Income Tax and Employer \(TAF\)](#) (available in Bahasa Malaysia only), effective 15 March 2025. In addition, HASiL has revoked the following frameworks:

- Tax Audit Framework dated 1 May 2022
- Tax Audit Framework on Finance and Insurance dated 1 May 2022
- Tax Audit Framework for Petroleum dated 1 May 2022
- Audit Framework for Employer dated 1 October 2021
- Tax Audit Framework on Withholding Tax dated 1 August 2015

To standardise the audit procedures and to establish clearer and more structured rights and responsibilities of audit officers, taxpayers, employers and tax agents, this TAF combines all audit procedures covering income tax, petroleum income tax, income tax on financial and insurance companies, withholding tax, capital gains tax, tax related to Labuan business activities, and audit on employer's obligations under one framework.

Objectives

The objectives of the TAF are listed below:

- a) The main objective is to encourage voluntary compliance with tax laws and regulations, in line with the implementation of the Self-Assessment System.
- b) Tax audit is an approach based on the concept of “Awareness, Education, Services (AES)”. It aims to provide awareness, education and services to taxpayers / employers on their rights and responsibilities under the current legal provisions.
- c) Tax audit is one of the ways of enforcing compliance with tax laws. Audit officers must ensure that the correct income has been reported and taxes have been paid properly to prevent leakages of national revenue.

Scope and coverage period of tax audit

The scope and coverage period of the tax audit (either generally or comprehensively) are as follows:

Tax Audit Activity	Audit Coverage Period	Statute of Limitation*
Tax audit under the Income Tax Act 1967 (ITA) and Petroleum (Income Tax) Act 1967 (PITA) except for issues relating to withholding tax / employer / Labuan business activity	Up to 3 years of assessment (YAs)	Up to 5 YAs
Withholding tax audit	Up to 3 YAs	Up to 5 YAs
Employer audit	Up to 2 years	For offences under Section 83 of the ITA, up to 12 years from the year the offence was committed

Labuan business activity audit	Up to 3 YAs	Up to 5 YAs
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**Not applicable to cases involving fraud, wilful default or negligence.*

The TAF includes explanation on the following:

- Selection of cases;
- Implementation of tax audit;
- Voluntary disclosures;
- Rights and responsibilities of HASiL, taxpayers, employers and registered tax agents;
- Confidentiality of information;
- Penalties and offenses (#); and
- Complaints, payment procedure and appeals.

A summary of the penalty to be imposed on audit findings under the TAF is provided in paragraphs 10.3, 10.4 and 10.5 of the TAF.

Get in touch

For more details or assistance, please reach out to your usual Deloitte contact or any member of our Tax Audit and Investigation team.

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